

Message Text

SECRET

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64

ORIGIN SS-30

INFO OCT-01 ISO-00 /031 R

DRAFTED BY EA/PRCM:OVARMSTRONG:MFR

APPROVED BY EA AWHUMMEL, JR

EA:LEDMOND

S/S - MR. MOFFAT

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R 012318Z OCT 74

FM SECSTATE WASHDC

TO USLO PEKING

INFO AMCONSUL HONG KONG

S E C R E T STATE 216477

STADIS/ //////////////////////////////////

EXDIS

E.O. 11652:GDS

TAGS: ENGR, CH, US

SUBJECT: POTENTIAL PRC INTEREST IN JOINT VENTURES WITH US

OIL FIRMS

REF: PEKING 1642

1. WE HAVE CHECKED WITH PHILLIPS, WHO CONFIRMED HUMMEL'S RECOLLECTION THAT HUANG CHEN DID NOT MAKE THE STATEMENT QUOTED PARA 1 REFTEL. (INCIDENTALLY, THE DINNER WAS HOSTED BY AUSTRALIAN AMBASSADOR AT HIS RESIDENCE.)
2. NO OBJECTION YOUR SO INFORMING AUSTRALIAN EMBASSY IF YOU WISH. UNLESS MEMCON WAS SHOWN OR MENTIONED TO YOU IN CONFIDENCE, WE MAY WANT TO CLARIFY MATTER WITH AUSTRALIAN EMBASSY HERE. PLEASE ADVISE.
3. WE HAVE, HOWEVER, JUST LEARNED OF UNRELATED INDICATION THAT PRC MAY BE SEARCHING FOR SOME FIG LEAF TO COVER WHAT MIGHT AMOUNT TO A FORM OF JOINT VENTURE ON OFFSHORE OIL EXPLORATION. FLETCHER CHASE, AN INDEPENDENT

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OIL CONSULTANT SOMETIMES WORKING FOR GETTY ORGANIZATION,

TOLD US THAT HE HAS HAD DISCUSSIONS WITH CHINESE RESOURCES CORPORATION IN HONG KONG FOR SOME TIME. IN RECENT TALKS, WHICH INCLUDED A CHINESE OIL SPECIALIST

APPARENTLY DOWN FROM PEKING, CHINESE RULED OUT JOINT VENTURE BUT VOLUNTEERED SUGGESTION ALONG FOLLOWING LINES. AFTER ORGANIZING NECESSARY BACKING (PROBABLY A CONSORTIUM) CHASE WOULD MAKE PARALLEL PROPOSALS TO SINOCHEM AND MACHIMPEX. ONE PROPOSAL WOULD BE FOR PROVISION OF TECHNICAL SERVICES, INCLUDING EQUIPMENT AND PERSONNEL, FOR EXPLORATION AND EXPLOITATION OF OFFSHORE OIL IN EAST CHINA SEA. PRC PAYMENT FOR THESE SERVICES WOULD BE DEPOSITED IN AN ACCOUNT IN THE PRC. SECOND PROPOSAL WOULD BE OFFER TO BUY CRUDE OIL WHICH MIGHT BE FOUND AS RESULT OF OFFSHORE ACTIVITIES. PRC WOULD HAVE RIGHT TO TERMINATE TECHNICAL SERVICES CONTRACT AT ANY TIME AND PAY OFF THE CONTRACTOR. IF OIL FOUND, FUNDS ON DEPOSIT WOULD BE USED TO PAY FOR THE CRUDE OIL. IF OIL NOT FOUND, PRC WOULD STILL GUARANTEE PAYMENT FOR TECHNICAL SERVICES.

4. CHASE SAID CRC TOLD HIM TO SEND PROPOSALS DIRECTION TO SINOCHEM AND MACHIMPEX, AFTER WHICH A NEGOTIATING TEAM INCLUDING CHASE WOULD BE ASKED TO GO TO PEKING TO DISCUSS DETAILS. CHASE HAS NOT YET DECIDED WHETHER OR HOW TO PURSUE THIS MATTER, AND WISHES THE INFO CLOSELY HELD. FULLER DETAILS BY MEMCON. INGERSOLL

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